

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

DELTA NATURAL GAS COMPANY, INC.)	
APPLICATION FOR ADJUSTMENT OF)	
RATES UNDER PURCHASED GAS)	CASE NO. 8256-K
ADJUSTMENT CLAUSE)	

O R D E R

On December 1, 1981, this Commission issued its Order in Case No. 8256, approving certain adjustments in the rates of Delta Natural Gas Company, Inc., ("Delta") and providing under certain conditions for the further adjustments of rates when the wholesale cost of gas is increased, decreased or refunds are received.

On September 27, 1982, Delta notified the Commission that its wholesale cost of gas would be increased by two of its suppliers, and submitted with its notice certain information in compliance with its purchased gas adjustment clause on file with the Commission.

After reviewing the notice filed in this case and being advised, the Commission is of the opinion and finds that:

(1) On September 24, 1982, Delta received from one of its suppliers, Columbia Gas Transmission Corporation ("Transmission") notification of an increase in its wholesale rates effective October 1, 1982.

(2) Delta's subsidiary Laurel Valley Pipe Line Company ("Laurel Valley") shall experience effective October 1, 1982, an

increase in the wholesale cost of gas it purchases locally from the Weaver-Hamilton partnership under the contract dated May 20, 1980. The price of gas purchased under this agreement is subject to Section 102 of the Natural Gas Policy Act of 1978. Laurel Valley resells and delivers the gas to Delta at Laurel Valley's wholesale cost.

(3) Delta's increase from Transmission and Laurel Valley is another of those federally-mandated pass-throughs of higher gas prices in which upon the record this Commission has no discretion. Delta will not realize even one cent of profit but simply will turn over to its suppliers the increased amounts which it must collect from its consumers.

(4) Delta's notice of September 27, 1982, set out certain revisions in rates which Delta proposed to place in effect, said rates being designed to pass on the wholesale increase in cost from its suppliers in the amount of \$80,814 or 1.42 cents per Mcf.

(5) The Public Service Commission is being asked to authorize a pass-through of a price increase already approved by the Federal Energy Regulatory Commission ("FERC"). Failure to allow this increase to be passed through to its retail consumers on a timely basis would be unfair and unjust to Delta and would ultimately result in higher rates to its consumers. The Commission has (in writing) indicated its opposition to the procedures and regulations used by FERC since 1975 to approve these supplier increases.

We are also actively presenting our views to FERC and to our Kentucky Congressional delegation concerning revisions to the

Natural Gas Policy Act of 1978, which allows gas suppliers to raise their gas prices without regard to costs. Because of Natural Gas Policy Act formulas allowing producers to so raise their prices and because of the action of FERC in allowing such increases to pass through to the transmission company and through it to the distributing company, in this case Delta, this Commission has no real authority in the matter. Under federal law and actions, this Commission serves merely as the conduit for the final pass-through of the increased cost of gas to the consumers when, as here, the distributing utility makes no profit from the increased prices which it must pay for gas purchased from the transmission company.

(6) The proposed rates will allow Delta to recover only the increased cost of wholesale gas and will not permit it to make any profit in doing so. The magnitude of this filing exposes Delta to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(7) Delta's notice of September 27, 1982, does not provide the Commission with the 20 day notice as required by statute, therefore, the proposed rates should become effective on and after October 17, 1982, subject to refund.

(8) Delta's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 8256 dated December 1, 1981, is fair, just and reasonable, in the public interest and should be effective with gas supplied on and after October 17, 1982, subject to refund.

IT IS THEREFORE ORDERED that the rates contained in Appendix A be and they are authorized, effective for gas supplied on and after October 17, 1982, subject to refund.

IT IS FURTHER ORDERED that within 30 days after the date of this Order, Delta shall file with this Commission its revised tariff sheets setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 21st day of October, 1982.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 8256-K DATED OCTOBER 21, 1982

The following rates and charges are prescribed for the customers in the areas served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

RATE SCHEDULE G - GENERAL SERVICE

APPLICABILITY:

Applicable within all service areas served by Delta, namely: Owingsville, Sharpsburg, Bath County, Camargo, Montgomery County, Frenchburg, Menifee County, Kingston-Terrill, Madison County, Stanton, Clay City, Powell County, Garrard County, Berea, Salt Lick, Midland, Nicholasville, Wilmore, Jessamine County, Jeffersonville, Clearfield, Farmers, Rowan County, Middlesboro, Pineville, Bell County, Barbourville, Knox County, Williamsburg, Whitley County, London, Laurel County, and environs of each.

AVAILABILITY:

Available for general use by residential, commercial and industrial customers.

CHARACTER OF SERVICE:

Firm--with the reasonable limits of the company's capability to provide such service.

RATES:

General Service--

Monthly Customer Charge - \$2.75 per delivery point per month.

1 - 5,000 Mcf	\$5.0342
5,001 - 10,000 Mcf	4.7842
Over - 10,000 Mcf	4.5342

Interruptible--

1 - 5,000 Mcf	\$4.7842
5,001 - 10,000 Mcf	4.5342
Over - 10,000 Mcf	4.2842

PURCHASED GAS ADJUSTMENT

Delta Natural Gas Company

Applicable to all rate schedules

The base rate for purchased gas for the future application of this Purchased Gas Adjustment Clause is:

<u>Supplier</u>	<u>Rate/Mcf or DTH</u>
Columbia Gas Transmission Corporation	
Rate Schedule CDS	
Demand (DTH)	\$3.43
Commodity (DTH)	4.2682
Rate Schedule SGS (DTH)	4.4937
Columbia LNG Corporation	5.9477*
*Includes Transportation Charge of \$0.3377	
Tennessee Gas Pipeline Company	\$3.0952
Gas Rate (DTH)	0.7332
Graham-Michaelis Corporation	\$2.00
Flat Lick	\$0.35
Evans	0.94
Wisehoff	1.41
Hall-Martin	0.40
Goff	0.40
Weaver	1.85
Martin Energy Company	1.75
Laurel Valley	3.3455
Wiser Oil Company	2.6355
Al J. Keyser	1.50
L P Energy	2.00
Storage	0.8479